

Message Text

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C O N F I D E N T I A L CAIRO 6278

EXDIS

E.O. 11652: GDS
TAGS: ENRG PFOR EG US IS
SUBJ: GULF OIL PREPARES FOR EXPLORATION IN SINAI BUFFER ZONE

REF: 76 CAIRO 16748

1. AS DEPARTMENT AWARE, GULF OIL COMPANY HAS COMPLETED ITS NEGOTIATIONS WITH EGYPTIAN GENERAL PETROLEUM CORPORATION (EGPC) FOR EXPLORATION/PRODUCTION SHARING AGREEMENT IN SINAI WHICH CONTAINS RIGHTS TO EXPLORE IN AREA BOTH EAST AND WEST OF LINE E. ROUGHLY TWO-THIRDS OF GULF'S AREA LIES WEST OF LINE E, THE REMAINDER IS IN BUFFER ZONE (BZ). UP TO THIS TIME, WE ARE AWARE THAT GULF REPS AND POTENTIAL SEISMIC CONTRACTORS HAVE VISITED AREA WEST OF LINE E, I.E., AREA UNDER COMPLETE EGYPTIAN CONTROL, BUT NO REPEAT NO REQUEST HAS BEEN MADE FOR ACCESS TO BZ.

2. GULF EXPLORATION REP KONTZ (WHO IS NOW RESIDENT IN CAIRO) CALLED AT EMBASSY APRIL 13 TO REQUEST BRIEFING ON STATUS OF BZ AND CONFIRMED THAT HE HAS NOT YET MADE ENTRY REQUEST. HE EXPLAINED, HOWEVER, THAT TIME RAPIDLY APPROACHING WHEN REQUEST FOR PRELIMINARY SURVEY (TO BE FOLLOWED BY DETAILED SEISMIC STUDY) OF GULF'S BZ TERRITORY WILL HAVE TO BE MADE. KONTZ NOTED THAT NO ONE IN EGPC HAD EVER MENTIONED TO GULF NEGOTIATORS BZ'S SPECIAL STATUS, ALTHOUGH COMPANY GENERALLY AWARE THAT ACCESS IS CONTROLLED BY U.N. HE NOW BECOMING UNEASY, HOWEVER, BECAUSE
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NO ONE IN EGPC HAS YET MENTIONED TO HIM OBVIOUS NECESSITY OF CONDUCTING PRELIMINARY SURVEY IN AND PROCESS OF GAINING ACCESS TO BZ. FURTHERMORE, KONTZ FEELS THAT IF BZ AREA IS NOT OPEN FOR IMMEDIATE EXPLORATION THIS WILL HAVE EFFECT ON GULF DECISION MAKERS WHO COOULD FEEL THAT THEY WOULD NOT WANT TO PROCEED WITH SEISMIC EXPLORATION OF TWO-THIRDS NOW AVAILABLE WITHOUT SIMULTANEOUS ACCESS TO REMAINING AREA IN BZ. (FYI:

AS DEPARTMENT AWARE, IT IS ON THIS POINT THAT CURRENT NEGOTIATIONS WITH CONOCO ARE BOGGED DOWN, I.E., CONOCO WANTS EFFECTIVE DATE OF ITS OBLIGATIONS TO START ONLY WHEN FULL TERRITORY IS AVAILABLE.) GULF, TO OUR KNOWLEDGE, DOES NOT HAVE ANY SPECIFIC ARRANGEMENTS IN ITS AGREEMENT WHICH WOULD EASILY PERMIT THEM TO TAKE A SIMILAR POSITION AT THIS TIME, AND EGPC COULD WELL INSIST ON GULF'S STARTING SEISMIC PROGRAM AS SOON AS AGREEMENT IS EFFECTIVE (AGREEMENT STILL AWAITING PEOPLES ASSEMBLY APPROVAL.).

3. EMBOFF EXPLAINED THAT GOE, GOI AND UN ARE PRINCIPAL PARTIES TO THE SINAI II AGREEMENT WHICH GIVES UN CONTROL OVER BZ ACCESS. IT IS OUR BELIEF, THEREFORE, THAT IT IS INCUMBENT UPON GOE TO SEEK NECESSARY PERMISSION FROM UN TO PERMIT OIL EXPLORATION PERSONNEL TO ENTER BZ. BECUASE WE ARE NOT DIRECT PARTY TO AGREEMENT, WE HAVE NO INDICATION WHAT UN RESPONSE WILL BE TO EGYPTIAN APPLICATION. OUR MAJOR INTEREST IN SITUATION IS IN PROTECTING INTERESTS OF AMERICAN COMPANY, SHOULD THIS PROVE NECESSARY. WE HAVE CAUTIONED GULF NOT TO ALLOW ITSELF BE USED BY GOE AS A FRONT IN SEEKING EXERCISE SOVEREIGNTY IN BZ, BUT ALSO BELIEVE THAT MINISTER OF PETROLEUM MAY NOT FULLY APPRECIATE ALL POLITICAL RAMIFICATIONS OF PROCESS OF APPLYING FOR APPROVAL FOR EXPLORATION TEAMS TO ENTER BZ. OUR HOPE IS, OF COURSE, THAT THERE WILL BE NO PROBLEM.

4. GULF REPS INDICATED APPRECIATION FOR EXPLANATION AND SAID THEY AGREED FULLY IT IS GOE RESPONSIBILITY TO OBTAIN PERMISSION ENTER THEIR SINAI TERRITORY AND THAT THEY HAD NO INDICATION THAT EGPC WOULD NOT ACCEPT THIS RESPONSIBILITY. THEY HAD ALREADY WORKED THROUGH EGPC IN GAINING PASS FROM SINAI LIAISON OFFICE TO CONFIDENTIAL

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VISIT AREA WEST OF LINE E. GULF REPS HAVE MEETING PLANNED LATER THIS WEEK WITH EGPC DEUPTY CHAIRMAN AYUTI IN WHICH THEY PLAN TO RAISE QUESTION OF ACCESS TO BZ. THEY PROMISED KEEP US INFORMED.

5. GULF REPS ALSO DESCRIBED INTERESTING, UNANTICIPATED PROBLEM WITH EXPLORATORY WORK IN SINAI. KONTZ SAID THAT LOCAL MILITARY COMMANDERS APPEAR TO BE RELUCTANT TO HAVE MINES REMOVED IN VARIOUS AREAS. IN PROCESS OF CLEARING MINES, SEISMIC CONTRACTOR WILL MARK LANES SHOWING BOUNDARIES OF CLEARED AREA FOR SEISMIC CREW'S GUIDANCE. LINES WOULD NORMALLY REMAIN AFTER SEISMIC PROGRAM COMPLETED AND WOULD CLEARLY INDICATE MINEFREE AREAS FOR SOME TIME TO COME. LOCAL MILITARY COMMANDERS HAVE LET IT BE KNOWN THAT AT MINIMUM THEY WOULD WANT GULF TO AGREE TO COVER UP THESE LANE MARKERS AFTER SEISMIC WORK IS COMPLETED. SITUATION HAS NOT YET BECOME PROBLEM, BUT MILITARY COMMANDERS HAVE MADE IT CLEAR THEY ARE NOT ENTHUSIASTIC. GULF THINKS THAT ANY OPPOSITION WILL DISAPPEAR ONCE MINPET BECOMES AWARE THAT IT IS A PROBLEM. THIS REMAINS TO BE SEEN.

6. COMMENT: WE SUSPECT THAT GULF'S APPROACH TO US IS RESULT OF REALIZATION THAT BECAUSE THEY DO NOT HAVE SPECIFIC CLAUSE DEALING WITH ACCESS TO BZ, THEY MAY WELL BE IN FOR FIGHT WITH EGPC OVER EFFECTIVE DATE OF THEIR OBLIGATIONS IF ACCESS SHOULD BE DELAYED. EGPC WILL PROBABLY INSIST THAT THEY PROCEED WITH SEISMIC EXPLORATION IN AREA IMMEDIATELY AVAILABLE AND DELAY ACTIVITY IN BZ, IF ACCESS PROVES A PROBLEM. POTENTIAL FOR CONFLICT, THEREFORE, EXISTS. IN FIANL ANALYSIS, OF COURSE, ACCESS TO BZ MAY NOT PROVE TO BE PROBLEM, BUT IT BECOMING INCREASINGLY EVIDENT FROM CONOCO AND GULF EXPERIENCES THAT GOE HAS NOT DONE NECESSARY HOMWORK (AS WE SUSPECTED) TO BACK UP ASSURANCES GIVEN TO THESE COMPANIES THAT ACCESS TO BZ ALREADY WORKED OUT. WE WOULD SUSPECT THAT HOUSTON-BASED GULF REPS WILL BE CONTACTING DEPARTMENT FOR FURTHER BRIEFING ONCE KONTZ REPORTS RESULTS HIS CONTACTS WITH EGPC ON SUBJECT OF ACCESS TO BZ.

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